

Good Afternoon!

On behalf of the MGGC, I would like to thank Senator Hune as the chair and the members of the Senate Ag committee, for taking the time to hear us speak on the issue of sales tax as it relates to the greenhouse industry. AS Vice-President of the MGGC I would like to give you a brief overview of the Michigan greenhouse industry and have you hear from some of our member as to what the treasury audits mean to their operations. My name is David Mast, my brother Dan and I co-own Andy Mast Greenhouses in Grand Rapids. We are a third generation business. We currently have 3 locations one in Grand Rapids, one in Muskegon and one in Holland. Our combined growing space is 15 acres of covered area and 20 acres of outdoor production. We grow potted flowering annual plants year round. Our production in 2017 totaled 2.8 million containers. We ship as far as Atlanta, Houston, and Denver. We currently have 124 employees.

The Michigan greenhouse industries' production is 3rd in the nation behind California and Florida. That is quite an accomplishment considering how different the climate is here.

The greenhouse floriculture commodity is the 4th largest ag commodity in our state. USDA 2015 statistics show Michigan the number one in production of 14 different horticulture crops, such as, Easter lilies, hanging baskets and hostas. There are over 500 greenhouse operations in our state that employ over 13,000 people. The industry is growing in volume of production, but margins are getting smaller. The Treasury's push to charge sales/use tax on items our industry, historically, has not paid, would drive that margin lower. In some cases, that margin would be negative. Therefore; as an industry, would be forced to raise prices because of the treasury's new interpretation on this tax. The price increases we would need to implement would put us at a disadvantage against other states.

With me today are other members of the MGGC who have been audited by Treasury or are being audited. Also, here today are MGGC members from allied trades that provide Michigan produced products for our industry. They all can tell a story of how this new interpretation will impact their businesses, drive jobs from Michigan, and overall loss of Michigan greenhouse industry operations.

I am happy to answer any questions you may have.

Thank you for having us before your committee.